



# **AGENDA**

## **City Council Workshop**

**Special Workshop**

**August 29, 2023**

**HADLEY CONFERENCE ROOM**

**5:30 PM**

**5:30 PM** Requested 2024 General Fund, Special Revenue Fund, and Debt Service Fund budgets and Property Tax Levy





# COUNCIL MEMORANDUM

|                 |  |
|-----------------|--|
| <b>To:</b>      | Honorable Mayor and City Council   |
| <b>From:</b>    | Jason Zimmerman, Finance Director<br>Christina Volkers, City Administrator                             |
| <b>Date:</b>    | August 29, 2023  |
| <b>Subject:</b> | Requested 2024 General Fund, Special Revenue Fund, and Debt Service Fund budgets and Property Tax Levy |

## BACKGROUND

Tonight’s discussion regarding the 2024 General Fund, Special Revenue Fund, and Debt Service Fund budgets and property tax levy is intended to continue the process of aligning City Council priorities with financial resources to provide Oakdale property owners, residents, and visitors with quality city services at a responsible taxing level.

This informal discussion is intended to provide staff with direction to prepare a recommended preliminary tax levy for consideration at the September 12 City Council meeting, which will then will be certified to Washington County and be used for preparing the Proposed Property Tax Notice, also known as the Truth in Taxation (TNT) Notice. This notice is required to be mailed to property owners between November 11 and November 24 of each year and includes parcel specific estimated property taxes payable in the following year, should each taxing jurisdiction approve their levies as proposed.

New for 2023, state law now requires a Supplemental Budget Information Form to be mailed with the Proposed Property Tax Notice. The supplemental summary budget information for county, city and school includes:

- The certified levy for taxes payable in the current year and proposed levy for taxes payable in the following year.
- Budget summary of revenue and expenditure items for taxes payable in the current year and the proposed taxes payable in the following year.

Following the adoption of the preliminary levy, state law requires that Cities with a population over 500, counties, the Metropolitan Council, the Metropolitan Airports Commission, and the Metropolitan Mosquito Control District adopt their final payable 2024 property tax levies and budgets on or before December 28, 2023. The current City budget calendar calls for Oakdale to consider adopting the final 2024 levy and budgets at the December 12, 2023 City Council Meeting.

Prior 2024 budget discussions:

May 23, 2023 City Council Workshop: Staff presented a conceptual 2024 budget that incorporated cost of living and merit increases based on the current staffing model; increases for employee sponsored benefits; presumed inflationary impacts; department requested enhancements/adjustments; and new personnel. While this model was early in the planning model, it also provided an update on current trends in local government, including several proposed legislative changes.

June 27, 2023 City Council Workshop: Staff presented the department requested 2024-2033 Vehicle & Equipment Replacement Plan and 2024-2028 Capital Improvement Plan (CIP) to the City Council. The proposed property tax levy to support the CIP for 2024 was requested at \$1,710,000 which

represented a \$556,654 or 49.6% increase compared to the 2023 levy. This funding provides for street maintenance, vehicle and equipment replacement, park enhancements, and facility improvements.

July 25, 2023 City Council Workshop: Staff presented the 2024 department requested General Fund, Special Revenue Fund, and Debt Service Fund budgets and property tax levy to the City Council. The discussion focused on staffing requests, investments in software to improve citizen engagement, and accommodating inflationary pressures for fuel, utilities, and operating supplies. The direction provided during this discussion was to further scrub the budget and identify one-time expenditure requests, while maintaining the staffing and service level currently included in the draft budget.

August 8, 2023 City Council Workshop: Staff presented the 2024 department requested Water, Sewer, Surface Water, and Street Light Fund budgets and utility rates as well as an update on the 2024-2033 Vehicle & Equipment Replacement Plan and 2024 - 2028 CIP. While the utility fund operating budgets are requesting moderate increases compared to 2023 levels, the majority of the recommended rate increases are proposed to be used to invest in capital projects and to avoid increasing the city's debt burden. These projects include water tower reconditioning/painting, lift station rehabilitation, well inspection and rehabilitation, and underground utility infrastructure improvements coordinated in conjunction with street reconstruction projects.

As the budgetary planning process continues to evolve, staff has been directed to focus on the following principals as a guide:

- Budget decisions to consider and acknowledge both the short and long-term impacts.
- Stabilize revenues and expenditures, and eliminate unanticipated variances.
- Fund operations at a level to provide quality services at a reasonable cost.
- Maintain structural balance and appropriate fund balance levels.
- Consider additional investments when they help achieve City goals and provide a significant return to the community.
- Seek to make a connection between resources and results.

The formal departmental budgeting process for 2024 began on May 25, 2023 when operating budgets were distributed with direction to incorporate City Council input from the May 23, 2023 workshop. Departments were then required to submit completed budgets to Finance by June 9, 2023. Between June 16 and June 30, 2023 Finance and Administrator Volkert reviewed the submitted budgets in a series of meetings with each requesting department. Following the July 27, 2023 City Council workshop, further discussions were held at a staff level to identify opportunities to utilize funds not supported by the property tax levy for one-time related expenditures and included an additional position in the Administration Department to assist with complex city wide projects and initiatives.

Assumptions and factors impacting the department requested 2024 budget and tax levy include:

- Removal of one-time expenditures and revenues from the 2023 budget.
- Five new regular full-time employees: Three licensed officers in the Police Department, one Maintenance Worker in Public Works, and an Assistant City Administrator in the Administration Department.
- Continued support of a full-time career based public safety service model.
- Reducing debt related to equipment through long-term planning and internally prefunding these needs through the Vehicle and Equipment Replacement Fund (VERF).
- Funding to promote strategic development and redevelopment while maintaining Oakdale's strong sense of community and independent neighborhoods.

- Software improvements/agreements to modernize resident reporting of non-emergency community issues; work order processing; city code book online and codification; and employee performance management.
- Services to ensure public safety policies are consistent with legislation, case law, changes in best practices, and Minnesota POST requirements.
- Increased worker compensation premiums due to modification and rate changes
- Proposed grade/step and cost of living adjustments in accordance with the city's classification and compensation program.
- Contingency for Medical, Dental, Life, and Disability insurance increases.

Significant Changes from July 25 Budget Proposal

The table below outlines significant items that have been moved from the General Fund to either Special Project Fund or Community & Economic Development Fund.

| Item                              | Funding Source (7/25/23)             | Funding Source (8/29/23)              | Amount (\$)      |
|-----------------------------------|--------------------------------------|---------------------------------------|------------------|
| 2nd Half Community Survey         | General Fund - Communications        | Special Project Fund                  | \$8,500          |
| Long Term Financial Plan          | General Fund - Finance               | Special Project Fund                  | \$14,500         |
| Housing Needs Assessment          | General Fund - Community Development | Community & Economic Development Fund | \$12,500         |
| Parks Master Planning             | General Fund - Community Development | Community & Economic Development Fund | \$25,000         |
| 10th & Granada Redevelopment Plan | General Fund - Community Development | Community & Economic Development Fund | \$25,000         |
| SWAT Vehicle Shared Cost          | General Fund - Police                | Special Project Fund                  | \$13,335         |
| Mobile Breaching Kit              | General Fund - Police                | Special Project Fund                  | \$7,000          |
| Project Close-Outs                | General Fund - Engineering           | Special Project Fund                  | \$20,000         |
| 40th Street Bridge Scoping        | General Fund - Engineering           | Special Project Fund                  | \$15,000         |
| <b>Total</b>                      |                                      |                                       | <b>\$140,835</b> |

The table below contains significant adjustments to specific line items within the General Fund between previous discussions and the current proposed budget. Staff believes these adjustments will not result in a detrimental impact to essential city services. Note this is not a comprehensive list, as many other line items have been adjusted.

| Item  | Department            | 2023 Original Budget | Funding Requested (7/25/23) | Funding Requested (8/29/23) |
|---|-----------------------|----------------------|-----------------------------|-----------------------------|
| General Planning Services                       | Community Development | \$-                  | \$10,000                    | \$-                         |
| Inspection Services related to 2022 Hail Storms | Building Inspections  | \$35,000             | \$15,000                    | \$-                         |
| General Planning Services                       | Engineering           | \$-                  | \$10,000                    | \$-                         |
| Development Assistance                          | Engineering           | \$-                  | \$10,000                    | \$-                         |
| Playground Woodchips                            | Parks Maintenance     | \$15,000             | \$25,000                    | \$10,000                    |
| Park Trash Receptacles                          | Parks Maintenance     | \$6,400              | \$22,400                    | \$14,400                    |
| Turf Landscaping Supplies                       | Parks Maintenance     | \$10,000             | \$15,000                    | \$10,000                    |
| Roadway Aggregate                               | Street Maintenance    | \$52,500             | \$57,500                    | \$52,500                    |
| Snow Removal/Relocation Services                | Street Maintenance    | \$20,000             | \$20,000                    | \$15,000                    |
| Road Salt and Liquid Ice                        | Street Maintenance    | \$150,000            | \$160,000                   | \$150,000                   |
| Assistant City Administrator                    | Administration        | \$-                  | \$30,000                    | \$239,719                   |
| <b>Total</b>                                    |                       | <b>\$288,900</b>     | <b>\$374,900</b>            | <b>\$491,619</b>            |

The table below shows the four most recently approved property tax levies by fund, the 2024 requested property tax levy presented at the June 27 City Council Workshop, and the current 2024 requested property tax levy. To support the budget as presented, staff is proposing the 2024 tax levy be at \$18,227,988 which represents a \$2,163,131 or 13.5% increase from 2023. Based on the preliminary values provided by Washington County, the estimated tax capacity rate to support this levy is 38.338% which would be a 0.316% increase from the 2023 rate.

| Fund                    | 2020 Adopted        | 2021 Adopted        | 2022 Adopted        | 2023 Adopted        | 2024 Request 7/25/23 | 2024 Request 8/29/23 | YtY Change         | % Increase   |
|-------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|--------------------|--------------|
| General Fund            | \$9,000,046         | \$9,716,075         | \$10,798,983        | \$12,631,812        | \$14,434,783         | \$14,399,100         | \$1,767,288        | 14.0%        |
| Debt Service Fund       | \$2,768,305         | \$2,721,921         | \$2,520,139         | \$2,289,699         | \$2,138,889          | \$2,138,888          | \$(150,811)        | -6.6%        |
| Municipal Building Fund | \$440,000           | \$440,000           | -                   | \$60,000            | \$135,000            | \$135,000            | \$75,000           | 125.0%       |
| Park Capital Fund       | \$100,000           | \$100,000           | \$120,000           | \$170,000           | \$245,000            | \$245,000            | \$75,000           | 44.1%        |
| Street Improvement Fund | \$200,000           | \$200,000           | \$200,000           | \$225,000           | \$345,000            | \$345,000            | \$120,000          | 53.3%        |
| VERF                    | -                   | -                   | \$320,000           | \$688,346           | \$985,000            | \$965,000            | \$276,654          | 40.2%        |
| Comm & Econ Devl Fund   | \$25,000            | \$55,000            | \$84,500            | -                   | -                    | -                    | -                  | -            |
| Ambulance Fund          | \$300,000           | \$300,000           | \$300,000           | -                   | -                    | -                    | -                  | -            |
| <b>Total</b>            | <b>\$12,833,351</b> | <b>\$13,532,996</b> | <b>\$14,343,622</b> | <b>\$16,064,857</b> | <b>\$18,283,672</b>  | <b>\$18,227,988</b>  | <b>\$2,163,131</b> | <b>13.5%</b> |

**Council Direction Requested**

Staff would like to hear from the Council on the 2024 staffing, budgets, and tax levy as currently presented. This direction is requested in order to prepare a preliminary 2024 tax levy for consideration at the for the September 12, 2023 City Council Meeting

**Remaining Budget Calendar**

**September 12, 2023** - City Council certifies 2024 Proposed Property Tax Levy and sets the date for the Truth in Taxation meeting to adopt the final 2024 Budgets and Property Tax Levy. This represents the levy ceiling for 2024, as the final levy may not exceed this preliminary levy.

**Fall, 2023** - Continue discussions as needed on the 2024 budget and tax levy.

**Dec 12, 2023** - Finance presents at the annual Truth in Taxation meeting. City Council adopts 2024 Budget, 2024 Tax Levy, 2024 - 2033 Vehicle & Equipment Replacement Plan, and 2024 - 2028 Capital Improvement Plan (CIP).